

1. We have audited the attached Balance Sheet of Phonographic Performance Limited (the "Company") as at March 31, 2011, the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse  
Firm Registration No. 301112E  
Chartered Accountants

*U. A. Shah*

Uday Shah  
Partner  
Membership No. F-46061.

Place: Mumbai

Date: August 30, 2011

**ANNEXURE TO THE AUDITORS' REPORT**

(Referrad to in Paragraph 3 of the Auditors' Report of even date to the members of Phonographic Performance Limited on the financial statements for the year ended March 31, 2011)

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. There are no inventories. Consequently, clauses (ii)(a), (ii)(b) and (ii)(c) of the Order are not applicable.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the Company during the current year.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the Company during the current year.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for rendering of services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, no major weakness have been noticed or reported.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any activities of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth tax, custom duty, excise duty and cess as at March 31, 2011, which have not been deposited on account of any dispute. The particulars of dues of service-tax as at March 31, 2011, which have not been deposited on account of a dispute are as follows:

| Name of the statute   | Name of the dues                          | Amount (Rs.) | Period to which the amount relates | Forum where the dispute is pending |
|-----------------------|---|--------------|------------------------------------|------------------------------------|
| The Finance Act, 1994 | Service Tax Liability (including penalty) | 120,365,814  | June 16, 2005 to March 31, 2010    | Appellate Tribunal                 |

10. The Company has no accumulated losses as at March 31, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in Paragraph 3 of the Auditors' Report of even date to the members of Phonographic Performance Limited on the financial statements for the year ended March 31, 2011)

Page 2 of 2

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Price Waterhouse  
Firm Registration No. 301112E  
Chartered Accountants

U. A. Shah

Uday Shah  
Partner  
Membership No. F-46061

Place: Mumbai

Date: August 30, 2011

**PHONOGRAPHIC PERFORMANCE LIMITED  
BALANCE SHEET AS AT MARCH 31, 2011**

| <b>SOURCES OF FUNDS</b>   | <b>Schedule,</b> | <b>Rupees</b> | <b>As at<br/>March 31, 2011<br/>Rupees</b> | <b>As at<br/>March 31, 2010<br/>Rupees</b> |
|---|------------------|---------------|--|--|
| Reserves and Surplus  | A                |               | 47,970,963                                 | 36,232,676                                 |
| <b>TOTAL</b>  |                  |               | <b>47,970,963</b>                          | <b>36,232,676</b>                          |
| <b>APPLICATION OF FUNDS</b>   |                  |               |  |  |
| <b>Fixed Assets</b>   | B                |               |  |  |
| Gross Block   |                  | 42,760,539    |  | 40,181,136                                 |
| Less: Depreciation  |                  | 19,409,672    |  | 15,620,654                                 |
| Net Block   |                  | 23,350,867    |  | 24,560,482                                 |
| Capital work-in-progress including Capital Advances                         |                  | -             |  | 162,435                                    |
|   |                  |               | 23,350,867                                 | 24,722,917                                 |
| <b>Investments</b>  | C                |               | 31,185,227                                 | 30,320,000                                 |
| <b>Deferred Tax Asset (Net)</b><br>(Refer Notes 1(f) and 6 on Schedule "M") |                  |               | 703,418                                    | 699,829                                    |
| <b>Current Assets, Loans and Advances</b>                                   |                  |               |  |  |
| Sundry Debtors  | D                |               | 548,466,361                                | 402,170,656                                |
| Cash and Bank Balances  | E                |               | 180,866,055                                | 144,489,769                                |
| Loans and Advances  | F                |               | 181,430,102                                | 147,259,896                                |
| Other Current Assets  | G                |               | 1,139,318                                  | 1,253,364                                  |
|   |                  |               | 911,901,836                                | 695,173,685                                |
| <b>Less: Current Liabilities and Provisions</b>                             | H                |               |  |  |
| Current Liabilities   |                  |               | 913,737,111                                | 708,782,581                                |
| Provisions  |                  |               | 5,433,274                                  | 5,901,174                                  |
|   |                  |               | 919,170,385                                | 714,683,755                                |
| <b>Net Current Assets</b>   |                  |               | <b>(7,268,549)</b>                         | <b>(19,510,070)</b>                        |
| <b>TOTAL</b>  |                  |               | <b>47,970,963</b>                          | <b>36,232,676</b>                          |
| <b>Notes to the Financial Statements</b>                                    | M                |               |  |  |

The Schedules referred to herein above form an integral part of the Financial Statements.

This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse  
Firm Registration No. 301112E  
Chartered Accountants

U. A. Shah

Uday Shah  
Partner  
Membership No. F-46061

Place: Mumbai  
Date: August 30, 2011

For and on behalf of the Board

Director [Ganesh Jain]

Director [Kumar Taurani]

Place: Mumbai  
Date: August 30, 2011

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

|  | <u>SCHEDULE</u> | <u>2010-2011</u><br><u>Rupees</u> | <u>2009-2010</u><br><u>Rupees</u> |
|--|-----------------|-----------------------------------|-----------------------------------|
| <b><u>INCOME</u></b>   |                 |                                   |                                   |
| Operating Income (Net)   | <b>I</b>        | 226,808,856                       | 190,025,727                       |
| Other Income   | <b>J</b>        | 17,169,787                        | 10,555,999                        |
|  |                 | <u>243,978,643</u>                | <u>200,581,726</u>                |
| <b><u>EXPENDITURE</u></b>  |                 |                                   |                                   |
| Employee Cost  | <b>K</b>        | 53,577,477                        | 49,484,290                        |
| Administration and Other Expenses  | <b>L</b>        | 129,388,813                       | 88,050,078                        |
| Depreciation   |                 | 4,342,566                         | 4,547,067                         |
| Antipiracy Contribution  |                 | 39,500,000                        | 45,500,000                        |
|  |                 | <u>226,808,856</u>                | <u>187,581,435</u>                |
| <b>Profit before Taxation</b>  |                 | 17,169,787                        | 13,000,291                        |
| Less: Provision for Taxation (Refer Note 1(f) on Schedule "M")                     |                 |                                   |                                   |
| - Current Tax (Including Rs. Nil of earlier years;<br>Previous Year Rs. 2,444,292) |                 | 6,000,000                         | 6,444,292                         |
| - Deferred Tax   |                 | (3,589)                           | (525,502)                         |
| - Reversal of excess provision of earlier year tax                                 |                 | (564,911)                         | -                                 |
| <b>Profit after Taxation</b>   |                 | <u>11,738,287</u>                 | <u>7,081,501</u>                  |
| Profit and Loss Account Balance Brought Forward                                    |                 | 32,200,686                        | 25,119,185                        |
| <b>Profit and Loss Account Balance Carried to the Balance Sheet</b>                |                 | <u>43,938,973</u>                 | <u>32,200,686</u>                 |

Earning Per Share - Basic and Diluted\*

\*Not Applicable as the Company is limited by guarantee and not having share capital.

**Notes to the Financial Statements**

**M**

The Schedules referred to herein above form an integral part of the Financial Statements.

This is the Profit and Loss Account referred to in our report of even date.


**For Price Waterhouse**  
 Firm Registration No. 301112E  
 Chartered Accountants

*U. A. Shah*

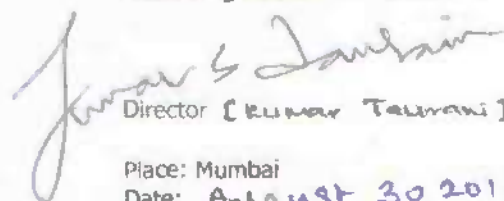
**Uday Shah**  
 Partner  
 Membership No. F-46061

Place: Mumbai  
 Date: August 30, 2011

**For and on behalf of the Board**



Director [Ganesh Jain]



Director [Kumar Talwar]

Place: Mumbai  
 Date: August 30, 2011

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

|   | 2010-2011<br>Rupees               | 2009-2010<br>Rupees               |
|---|-----------------------------------|-----------------------------------|
| <b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>                      |                                   |                                   |
| Profit Before Taxation  | 17,169,787                        | 13,000,291                        |
| Adjustments for:  |                                   |                                   |
| Depreciation  | 4,342,566                         | 4,547,067                         |
| Loss on sale/ write off of Fixed Assets (Net)                       | 252,613                           | 173,771                           |
| Interest Income   | (16,162,643)                      | (8,279,552)                       |
| Provision for Leave Encashment                                      | 324,288                           | 625,625                           |
| Provision for Gratuity  | (393,230)                         | 707,885                           |
| Mark to Market (Gain)/ Loss on Current Investments                  | (865,227)                         | (2,176,000)                       |
| <b>Operating Profit Before Working Capital Changes</b>              | <b>4,668,154</b>                  | <b>8,599,090</b>                  |
| Adjustments for changes in working capital:                         |                                   |                                   |
| (Increase)/ Decrease in Sundry Debtors                              | (146,295,205)                     | (57,181,164)                      |
| (Increase)/ Decrease in Loans and Advances                          | (30,386,511)                      | 384,719                           |
| (Decrease)/ Increase in Trade and Other payables                    | 204,954,530                       | 2,141,706                         |
| <b>Cash generated from operations</b>                               | <b>32,940,468</b>                 | <b>(46,055,649)</b>               |
| Taxes paid (Net)  | (9,617,742)                       | (48,194,851)                      |
| <b>Net Cash from / (used in) Operating Activities (A)</b>           | <b>23,322,726</b>                 | <b>(94,250,500)</b>               |
| <b>B) CASH FLOW FROM INVESTING ACTIVITIES:</b>                      |                                   |                                   |
| Purchase of Fixed Assets  | (3,430,463)                       | (2,156,543)                       |
| Capital Work-in-Progress  | 162,435                           | (22,500)                          |
| Proceeds from sale of Fixed Assets                                  | 44,899                            | 49,500                            |
| Interest Received   | 16,276,689                        | 8,306,785                         |
| <b>Net Cash from / (used in) Investing Activities (B)</b>           | <b>13,053,560</b>                 | <b>6,177,242</b>                  |
| <b>C) CASH FLOW FROM FINANCING ACTIVITIES:</b>                      |                                   |                                   |
| <b>Net Cash Flow from / (used in) Financing Activities (C)</b>      |                                   |                                   |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b> | <b>36,376,286</b>                 | <b>(88,073,258)</b>               |
| Cash and Cash Equivalents as at the beginning of the year           | 144,489,769                       | 232,563,027                       |
| Cash and Cash Equivalents as at the end of the year                 | 180,866,055                       | 144,489,769                       |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>       | <b>36,376,286</b>                 | <b>(88,073,258)</b>               |
|   | As at<br>March 31, 2011<br>Rupees | As at<br>March 31, 2010<br>Rupees |
| Cash and cash equivalents comprise of:                              |                                   |                                   |
| Balances with Scheduled Banks in:                                   |                                   |                                   |
| - Current Accounts  | 84,279,999                        | 35,938,785                        |
| - Fixed Deposit Accounts  | 96,586,056                        | 108,550,984                       |
|   | <b>180,866,055</b>                | <b>144,489,769</b>                |

**NOTES ON CASH FLOW STATEMENT :**

- The above cash flow statement has been prepared under the indirect method set out in Accounting Standard on Cash Flow Statements (AS-3).
- Previous year's figures have been regrouped and rearranged whenever necessary.

This is the Cash Flow Statement referred to in our report of even date.

For Price Waterhouse  
 Firm Registration No. 301312E  
 Chartered Accountants

U. A. Shah

Uday Shah  
 Partner  
 Membership No. F-46068

Place: Mumbai  
 Date: August 30, 2011

For and on behalf of Board of Directors

Director [Ganesh Jain]

Director [Kumar Taurani]

Place: Mumbai  
 Date: August 30, 2011

PHONOGRAPHIC PERFORMANCE LIMITED  
SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

|                                 | As at<br>March 31, 2011<br>Rupees | As at<br>March 31, 2010<br>Rupees |
|---------------------------------|-----------------------------------|-----------------------------------|
| <b>*A* RESERVES AND SURPLUS</b> |                                   |                                   |
| General Reserve                 | 4,031,990                         | 4,031,990                         |
| Profit and Loss Account         | 43,938,973                        | 32,200,686                        |
|                                 | <b>47,970,963</b>                 | <b>36,232,676</b>                 |

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PHONOGRAMMIC PERFORMANCE LIMITED  
SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

\* B\* FIXED ASSETS  
(Refer Note 1(d) on Schedule 'M')

| Particulars   | Gross Block         |                           |   |                      | Depreciation       |              |                             |                     | Net Block            |                      |
|---|---------------------|---------------------------|---|----------------------|--------------------|--------------|-----------------------------|---------------------|----------------------|----------------------|
|   | As at April 1, 2010 | Additions during the year | Deletions / Adjustments during the year | As at March 31, 2011 | Upto April 1, 2010 | For the Year | Adjustments during the year | Upto March 31, 2011 | As at March 31, 2011 | As at March 31, 2010 |
| Office Premises   | 17,069,658          | 3,341,438                 | 69,522                                  | 17,000,136           | 4,088,341          | 649,066      | 69,522                      | 4,667,885           | 12,332,251           | 12,981,317           |
| Office Equipments   | 11,207,840          | 89,025                    | 781,538                                 | 13,767,740           | 5,522,140          | 1,823,425    | 484,026                     | 6,867,539           | 6,900,201            | 5,685,700            |
| Furniture and Fixings   | 4,805,816           | -                         | -                                       | 4,894,841            | 2,238,321          | 480,894      | -                           | 2,719,205           | 2,175,696            | 2,167,495            |
| Motor Car   | 5,318,548           | -                         | -                                       | 5,318,548            | 2,874,596          | 632,739      | -                           | 3,507,335           | 1,811,213            | 2,443,952            |
| Leasehold Improvements  | 1,779,274           | -                         | -                                       | 1,779,274            | 897,256            | 750,452      | -                           | 1,647,708           | 131,566              | 882,018              |
| Previous Year   | 40,181,136          | 3,430,463                 | 652,060                                 | 42,760,539           | 15,620,654         | 4,342,866    | 553,548                     | 19,409,672          | 23,350,867           | 24,560,482           |
|   | 38,796,141          | 2,156,543                 | 771,548                                 | 40,181,136           | 11,621,861         | 4,547,067    | 548,274                     | 15,620,654          | 23,350,867           | 162,435              |
| Capital work-in-progress (including Capital Advance Rs. Nil (Previous Year: Rs. 152,435)) |                     |                           |   |                      |                    |              |                             |                     | 23,350,867           | 24,722,917           |



**PHONOGRAPHIC PERFORMANCE LIMITED**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**

|  | As at<br>March 31, 2011<br><u>Rupees</u> | As at<br>March 31, 2010<br><u>Rupees</u> |
|--|--|--|
| <b>"C" INVESTMENTS</b><br>(Refer Note 1(d) on Schedule "M")  |  |  |
| <b>Non Trade Current (Unquoted)</b>  |  |  |
| 32 (Previous Year: 32) Units of HUDCO 5.15% Tax Free Bonds 2014 of the Face Value of Rs. 1,000,000   | 31,185,227                               | 30,320,000                               |
|  | <u>31,185,227</u>                        | <u>30,320,000</u>                        |
| Note:<br>Aggregate cost of unquoted investment in Tax Free Bonds of Rs. 31,008,000; Previous year Rs. 31,008,000<br>Aggregate amount of Repurchase price in Tax Free Bonds of Rs. 31,185,227; Previous year Rs. 30,320,000 |  |  |
| <b>"D" SUNDRY DEBTORS</b><br>(Unsecured and considered good unless otherwise stated)   |  |  |
| Debts Outstanding for a Period Exceeding Six Months  | 102,498,382                              | 37,564,420                               |
| Other Debts  | 445,967,979                              | 364,606,236                              |
|  | <u>548,466,361</u>                       | <u>402,170,656</u>                       |
| <b>"E" CASH AND BANK BALANCES</b>  |  |  |
| Cash in Hand   | -  | -  |
| Balances with Scheduled Banks in:  |  |  |
| - Current Accounts   | 84,279,999                               | 36,938,785                               |
| - Fixed Deposit Accounts   | 96,586,056                               | 108,550,984                              |
|  | <u>180,866,055</u>                       | <u>144,489,769</u>                       |
| <b>"F" LOANS AND ADVANCES</b>  |  |  |
| Advances Recoverable in Cash or in Kind or for Value to be Received  | 6,477,416                                | 6,823,991                                |
| Security Deposits  | 953,685                                  | 997,895                                  |
| Service Tax (Net of Billed and Credit on Input Service)  | 30,777,296                               | -  |
| Advance Tax and Tax Deducted at Source (Net of provision for taxation Rs. 16,321,088; Previous Year Rs. 24,599,791)  | 143,174,363                              | 139,438,010                              |
| Fringe Benefit Tax (Net of provision Rs. 2,430,000; Previous Year Nil)   | 47,342                                   | -  |
|  | <u>181,430,102</u>                       | <u>147,259,896</u>                       |
| <b>"G" OTHER CURRENT ASSETS</b>  |  |  |
| Interest Accrued on Investments and Fixed Deposits   | 1,139,318                                | 1,253,364                                |
|  | <u>1,139,318</u>                         | <u>1,253,364</u>                         |



**PHONOGRAPHIC PERFORMANCE LIMITED**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**

|  | As at<br>March 31, 2011<br><u>Rupees</u> | As at<br>March 31, 2010<br><u>Rupees</u> |
|--|--|--|
| <b>"H" CURRENT LIABILITIES AND PROVISIONS</b>  |  |  |
| <b>Current Liabilities</b>   |  |  |
| Book Overdraft   | 4  | 20,954,512                               |
| Sundry Creditors (Refer Note 11 on Schedule "M")   |  |  |
| a) Micro and Small Enterprises   | -  | -  |
| b) Others  | 848,685,254                              | 655,757,920                              |
| Other Liabilities  | 65,051,857                               | 32,070,149                               |
|  | 913,737,111                              | 708,782,581                              |
| <b>Provisions</b>  |  |  |
| Fringe Benefit Tax (Net of Advance Fringe Benefit Tax Rs. Nil;<br>Previous Year Rs. 3,497,042) | 4  | 398,958                                  |
| Leave Encashment (Refer Notes 1(e) and 15 on Schedule "M")                                     | 3,119,255                                | 2,794,967                                |
| Gratuity (Refer Notes 1(e) and 15 on Schedule "M")   | 2,314,019                                | 2,707,249                                |
|  | 5,433,274                                | 5,901,174                                |
|  | <b>919,170,385</b>                       | <b>714,683,755</b>                       |

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**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

|   | Notes on<br>Schedule<br>"M" | 2010-2011<br><u>Rupees</u> | 2009-2010<br><u>Rupees</u> |
|---|-----------------------------|----------------------------|----------------------------|
| <b>"I" OPERATING INCOME (NET)</b>   |                             |                            |                            |
| <b>Royalty income of members:</b>   |                             |                            |                            |
| Broadcasting<br>(Tax Deducted at Sources Rs. 3,837,747;<br>Previous Year Rs. 10,559,306)        | 1(a), 4(a), and 4(b)        | 331,254,922                | 353,854,661                |
| Public Performance<br>(Tax Deducted at Sources Rs. 9,170,187;<br>Previous Year Rs. 5,477,704)   | 1(g)                        | 316,422,147                | 302,066,332                |
| Mobile and Digital<br>(Tax Deducted at Sources Rs. 41,908,335;<br>Previous Year Rs. 24,660,641) | 1(d)                        | 1,651,846,987              | 1,378,096,618              |
|   |                             | <u>2,299,524,056</u>       | <u>2,034,017,611</u>       |
| <b>Less: Royalty distribution to members</b>  | 5                           | <u>2,072,715,200</u>       | <u>1,843,992,084</u>       |
| <b>NET INCOME</b>   |                             | <u><b>226,808,856</b></u>  | <u><b>190,025,727</b></u>  |
| <b>"J" OTHER INCOME</b>   |                             |                            |                            |
| Interest on:  |                             |                            |                            |
| - Fixed deposit (Tax Deducted at Source Rs. 436,744 ;<br>Previous Year Rs. 1,008,441)           |                             | 4,369,440                  | 6,631,552                  |
| - Tax free Bonds  |                             | 1,648,000                  | 1,648,000                  |
| - Income Tax Refund   |                             | 10,145,203                 | -                          |
| Mark to Market Gain/ (Loss) on Current Investments  |                             | 865,227                    | 2,176,000                  |
| Other Income  |                             | 141,917                    | 100,447                    |
|   |                             | <u>17,169,787</u>          | <u>10,555,999</u>          |

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**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

|  | <u>2010-2011</u><br><u>Rupees</u> | <u>2009-2010</u><br><u>Rupees</u> |
|--|-----------------------------------|-----------------------------------|
| <b>"K" EMPLOYEES COST</b>                              |                                   |                                   |
| Salaries and Bonus                                     | 47,012,781                        | 42,551,152                        |
| Contribution to Provident and Other Fund               | 2,341,904                         | 2,040,786                         |
| Leave Encashment                                       | 586,042                           | 940,860                           |
| Gratuity   | 1,060,777                         | 1,202,560                         |
| Staff Welfare  | 2,575,973                         | 2,748,932                         |
|  | <u>53,577,477</u>                 | <u>49,484,290</u>                 |
| <b>"L" ADMINISTRATION AND OTHER EXPENSES</b>           |                                   |                                   |
| Rent   | 1,712,960                         | 1,422,228                         |
| Electricity  | 1,042,938                         | 973,311                           |
| Rates and Taxes  | 1,073,524                         | 771,290                           |
| Travelling   | 11,404,071                        | 9,183,186                         |
| Legal Expenses   | 62,380,858                        | 34,109,846                        |
| Professional and Retainership Fees                     | 16,642,282                        | 13,888,256                        |
| Repairs and Maintenance                                | 3,388,512                         | 2,724,411                         |
| Monitoring and Processing Expenses                     | 676,820                           | 638,884                           |
| Motor Car Expenses                                     | 2,047,031                         | 2,239,248                         |
| Software   | 203,908                           | 301,532                           |
| Printing and Stationery                                | 1,536,532                         | 1,399,524                         |
| Advertisement, Publicity etc.                          | 3,486,199                         | 1,915,085                         |
| Postage, Telegram and Telephone                        | 4,258,619                         | 4,058,260                         |
| Loss on Sale/ Write Off of Fixed Assets (Net)          | 252,613                           | 173,774                           |
| Donation   | 150,450                           | 216,320                           |
| Director's Sitting Fees                                | 280,000                           | 320,000                           |
| Auditors' Remuneration (Refer Note 14 on Schedule "M") | 1,109,557                         | 860,401                           |
| Commission   | 11,980,304                        | 9,188,977                         |
| Insurance Charges                                      | 22,794                            | 26,680                            |
| Sales Promotion Expenses                               | 2,340,908                         | 768,110                           |
| Miscellaneous  | 3,392,583                         | 2,870,755                         |
| Foreign Exchange Loss                                  | 5,350                             | -                                 |
|  | <u>129,388,813</u>                | <u>88,050,078</u>                 |

*For*



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

SCHEDULE: "M"

**NOTES TO THE FINANCIAL STATEMENTS**

**BackGround**

The Indian Phonographic Industry (IPI), the Association of Phonogram Producers, was established in 1936, and it was instrumental in finalising the Broadcasting License arrangement in India. Subsequently, IPI members decided to form a specialised body to administer their Public Performance and Broadcasting Rights, so Phonographic Performance Limited (PPL) came into being and was registered and incorporated as a Company on April 24, 1941. PPL is a Company limited by Guarantee and not having a share capital, where liability of the members is limited. IPI changed its name to The Indian Music Industry (IMI) in 1994.

PPL has been functioning as the Performing Rights Society for Sound Recordings. After the amendments in copyright law in 1994, PPL was registered with the Registrar of Copyrights, Government of India, as Copyright Society in respect of Sound Recordings.

PPL is mainly engaged in administering the Broadcasting / Telecasting, Digital, Mobile and Public Performance Rights on behalf of nearly 200 music companies which are its members. The main object of the Company includes among many others, issuing or granting license for the public performance of gramophone records, perforated rolls and other forms by which sounds may be mechanically and/or electronically reproduced.

**1. Significant Accounting Policies:**

**(a) Basis of Accounting**

The financial statements have been prepared under historical cost convention to comply in all material aspects with all the applicable accounting principles in India, provisions of the Companies Act, 1956 of India ('the Act') and the accounting standards referred in Section 211(3C) of the Act read with the Companies (Accounting Standards) Rules, 2006.

**(b) Fixed assets and Depreciation**

Fixed Assets are stated at historical cost less depreciation / amortisation. Cost includes all expenses relating to acquisition and installation of the concerned assets.

Depreciation has been provided on a written down value basis at rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on additions and deletions during the year is calculated on pro-rata basis.

Depreciation on assets costing Rs. 5,000 or less is provided at the rate of 100% in the year of acquisition of the assets. Leasehold improvements are amortised over the period of lease.

**(c) Software Expenses**

Software obtained initially together with hardware is capitalised along with the cost of hardware and depreciated in the same manner as the hardware. Purchases of software requiring annual renewal of licenses are treated as revenue expenditure and charged to Profit and Loss Account during the year.

**(d) Investments**

Current Investments are stated at lower of costs and market value/repurchase price.



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**(e) Employee Benefits**

**i) Defined Contribution Plans**

The Company has Defined Contribution plans for post employment benefits namely Provident Fund which is recognised by the Income Tax Authorities.

Under the Provident Fund Plan, the Company contributes to a Government administered provident fund on behalf of its employees and has no further obligation beyond making its contribution.

The Company makes contributions to state plans namely Employee's Pension Scheme 1995 and has no further obligation beyond making the payment to them.

The Company's contributions to the above funds are charged to Profit and Loss Account every year.

**ii) Defined Benefit Plans**

The Company has Defined Benefit Plan namely Gratuity for all its employees. The Company contributes to a Gratuity Fund, which is recognised by the Income Tax Authorities and administered through its trustees. The Gratuity Fund has taken a Group Gratuity-Cum-Life Insurance Policy with Life Insurance Corporation of India (LIC) and makes contribution to LIC.

Liability for Defined Benefit Plan is provided on the basis of an actuarial valuation carried out by an independent actuary as at the year end. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

**iii) Other Employee Benefit Plans**

The employees of the company are entitled to leave encashment as per the leave policy of the company. The liability in respect of leave encashment is provided based on an actuarial valuation carried out by an independent actuary as at the year end.

iv) Termination benefits are recognised as expense as and when incurred.

**(f) Taxation**

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**(g) Recognition of Royalty Income**

Royalty income is generally recognised on accrual basis (except where there are significant uncertainties) based on usage report submitted by licensees at rates and/or minimum guarantee rates as per agreements with those parties. Royalty income in Broadcasting includes All India Radio (AIR), Private Frequency Modular (FM), Community Radio, and Telecasting; in Mobile and Digital includes Ringtone, Ring Back Tone, Embedded, Interactive Voice Response (IVR), Mobile Radio Streaming, Audio Streaming, Juke Box, retail kiosks and Webcasting.



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**(h) Foreign Currency Transactions**

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

**(i) Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure as specified in Accounting Standard 29 – 'Provisions, Contingent Liability and Contingent Assets' is made.

**(j) Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is higher of the asset's net selling price or estimated future cash flows, which are discounted to their present value based on appropriate discount rates. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and asset is reflected at the recoverable amount.

**2. Leases:**

The Company has entered into cancellable leasing arrangements for premises. The lease rental of Rs. 1,712,960 (Previous Year Rs. 1,422,228) has been included under the head "Administrative and Other Expenses" under Schedule 'L' to the Profit and Loss Account.

**3. Capital Commitments:**

Estimated amount of contracts [net of advances Rs. Nil (Previous Year Rs. 162,435)] remaining to be executed on capital account and not provided for is Rs. Nil (Previous Year Rs. Nil).

**4. Broadcasting Income:**

- (a) The reporting system and the royalty income from AIR continues to be erratic and the same has been accounted for on cash basis in view of significant uncertainty as to ascertainment of accruals. The reports from most of the AIR stations are received with significant delay. Accordingly, the Company has accounted usage reports received during the current year.



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

(b) Royalty income for Private Frequency Modular (FM) have been accounted for based on intimation received from parties regarding hours broadcast during the year at agreed rates and/or at rates pursuant to interim orders of High Courts at Kolkata and Mumbai. During the year 2004-05, Mumbai High Court vide their order dated April 13, 2004 disposed off the appeals made by the Company and the broadcasters against the order of the Copyright Board (CRB) dated November 19, 2002. The Mumbai High Court held that the compulsory license can be issued to all the broadcasters, however, the court set aside the CRB's aforesaid order and referred the matter to them for re-determination of the fees.

As the order of CRB dated November 19, 2002 was set aside, the Company has moved to the Mumbai High Court for directions as to which Order should now be followed and from what date. However, there is no order on the matter so far and certain broadcasters continue to pay the royalty fees as per their respective interim court orders prior to the order of Mumbai High Court dated April 13, 2004.

Aggrieved by the interpretation of Section 31 (Compulsory Licence) by the Mumbai High Court, the company filed a special leave petition (SLP) before the Supreme Court challenging the order of the Mumbai High Court. The Supreme Court, on May 16, 2008, issued order directing Copyright Board to hear compulsory licensing applications. The Copyright Board has completed its proceedings in compulsory licensing applications received by it from certain FM radio broadcasters and issued an order dated August 25, 2010 confirming the rates. The Company has appealed against this order in the Madras High Court contesting the rates and adjustments in royalty income and distribution of royalty payable to the members will be accounted for on final resolution of the matter. As per the Supreme Court directive, the Madras High Court is expected to dispose off the case expeditiously.

5. Royalty distribution has been accounted for, to the extent of the corresponding royalty income for the year after recouping all the related expenses.

**6. Deferred Tax (Asset)/ Liability:**

The Company accounts for Deferred Tax in accordance with the Accounting Standard 22 – "Accounting for Taxes on Income".

The Deferred tax balances are set out below.

| Particulars                           | As at<br>March 31,<br>2011<br>Rupees | As at<br>March 31,<br>2010<br>Rupees |
|---------------------------------------|--------------------------------------|--------------------------------------|
| <u>Deferred Tax Assets</u>            |                                      |                                      |
| Gratuity                              | (768,659)                            | (920,194)                            |
| Leave Encashment                      | (1,036,139)                          | (950,009)                            |
|                                       | (1,804,798)                          | (1,870,203)                          |
| <u>Deferred Tax Liability</u>         |                                      |                                      |
| Depreciation                          | 1,101,380                            | 1,170,374                            |
|                                       | 1,101,380                            | 1,170,374                            |
| Deferred Tax (Asset)/ Liability (Net) | (703,418)                            | (699,829)                            |





**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**7. Segment Information:**

**(i) Information about Primary Business Segment:**

In accordance with Accounting Standard - 17, "Segmental Reporting", the Company has determined its business segment as issuing or granting license for the public performance of gramophone records, perforated rolls and other forms by which sounds may be mechanically and/or electronically reproduced and there are no other primary reportable segments. Accordingly, the segment revenue, segment results, total carrying amount of segment assets and segment liability, total cost incurred to acquire segment assets and total amount of charge for depreciation during the year, is as reflected in the Financial Statements as of and for the year ended March 31, 2011.

**(ii) Information about Secondary Business Segment:**

| Revenue by Geographical Segments  | 2010-2011 (Rupees) |               |               | 2009-2010 (Rupees) |               |               |
|-----------------------------------|--------------------|---------------|---------------|--------------------|---------------|---------------|
|                                   | India              | Outside India | Total         | India              | Outside India | Total         |
| External                          | 2,298,275,338      | 1,248,718     | 2,299,524,056 | 2,032,332,552      | 1,685,259     | 2,034,017,811 |
| Carrying Amount of Segment Assets | 967,141,348        | -             | 967,141,348   | 750,916,431        | -             | 750,916,431   |
| Additions to Fixed Assets         | 3,430,463          | -             | 3,430,463     | 2,156,543          | -             | 2,156,543     |

**Notes:**

The Segment revenue in the geographical segments considered for disclosure is as follows:

- (a) Revenue within India includes royalty income from licensees located within India and earnings in India.
- (b) Revenue outside India includes royalty income from licensees located outside India and earnings outside India.



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**8. Related Party Disclosures:**

**Relationships:**

**(i) Key Management Personnel:**

Mr. Vipul Pradhan  
 Mr. Suresh Srinivasan  
 Mrs. Kavita Pradhan (relative of Mr. Vipul Pradhan)

**(ii) Transactions:**

| Nature of Transactions  | 2010-2011 (Rupees) |                       |                     | 2009-2010 (Rupees) |                       |                     |
|-------------------------|--------------------|-----------------------|---------------------|--------------------|-----------------------|---------------------|
|                         | Mr. Vipul Pradhan  | Mr. Suresh Srinivasan | Mrs. Kavita Pradhan | Mr. Vipul Pradhan  | Mr. Suresh Srinivasan | Mrs. Kavita Pradhan |
| Salaries and Allowances | 6,499,431          | 5,747,610             | -                   | 4,096,520          | 5,068,215             | -                   |
| Motor Car hire charges  | -                  | -                     | -                   | -                  | -                     | 474,528             |
| Repayment of Deposit    | -                  | -                     | -                   | -                  | -                     | 500,000             |

**9. Contingent Liabilities not provided for**

The service tax department had raised three show cause-cum-demand notices amounting to Rs. 60,170,407 (Previous Year: Rs. 27,869,195) for the taxable value of services rendered under the category of "Club or Association" for the period June 16, 2005 to Mar 31, 2010. The Company had disputed the same and had filed its written replies to the show cause-cum-demand notices and also attended personal hearings called for from time to time. The Commissioner of Service Tax, Mumbai-II vide Order in Original No.21-23/ST-II/KKS/2010 dated 30.11.2010 confirmed service tax amounting to Rs. 60,170,407 along with interest and imposed penalty of equivalent amount. However, the Company has challenged the Order by filing an appeal before the Customs Excise and Service Tax Appellate Tribunal, Mumbai. The Company has also applied for a waiver of pre-deposit of the amount of tax and penalties by filing a stay application. The CESTAT Registry has informed that the stay application has not yet been listed for hearing in view of the back log of pending cases. The Company expects the same to be listed shortly. The Company is confident of winning this appeal, based on legal opinion obtained and in light of its registration under the Category-Copyright Services effective July 1, 2010; hence no provision has been made in the books of accounts.

10. Certificates for tax deducted at source aggregating Rs. 10,154,885 (pertaining to FY 2008-2009, 2009-2010 and 2010-2011; Previous Year Rs. 21,746,966 pertaining to FY 2008-2009 and 2009-2010) are in the process of being collected from licensees. The Management is hopeful of collecting these certificates. Hence, no provision has been considered necessary by the Management.

**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS:(Contd.)**

**11. Sundry Creditors include:**

- (a) Rs. Nil (Previous Year- Rs. 39,988) received from certain parties on account of Broadcasting Fees (FM - Private) and held in a fixed deposit bank account, pursuant to an Interim order of January 1994 of the Kolkata High Court pending final resolution of the matter.
- (b) Security Deposit/ Advances from licensees Rs. 152,986,256 (Previous Year Rs. 154,061,892)
- (c) Amount received in advances and/or pending invoicing Rs. 114,851,380 (Previous Year Rs. 43,880,786)
- (d) There are no delays in payments to Micro and Small Enterprises as required to be disclosed under the Micro Small and Medium Enterprises Development Act, 2006. The said information and that given in Schedule "H" Current Liabilities regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.
- (e) There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

**12. Earnings in Foreign Currency:**

| Particulars        | 2010-2011<br>Rupees | 2009-2010<br>Rupees |
|--------------------|---------------------|---------------------|
| Mobile and Digital | 373,746             | 249,260             |
| Other Income       | 9,456               | 100,413             |

**13. Expenditure in Foreign Currency:**

| Particulars | 2010-2011<br>Rupees | 2009-2010<br>Rupees |
|-------------|---------------------|---------------------|
| Travelling  | 118,064             | 367,809             |

**14. Remuneration to Auditors**

| Particulars           | 2010-2011<br>Rupees | 2009-2010<br>Rupees |
|-----------------------|---------------------|---------------------|
| As Auditors           | 850,000             | 650,000             |
| Other Services        | 250,000             | 200,000             |
| Out of Pocket Expense | 9,557               | 10,401              |
|                       | 1,109,557           | 860,401             |





**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

15. The Company has classified various benefits provided to employees as under:-

**I) Defined Contribution Plans**

- a) Provident Fund
- b) State Defined Contribution Plans
  - i) Employers' Contribution to Employee's Pension Scheme 1995.

During the year, the Company has recognised the following amounts in the Profit and Loss Account:

| Particulars  | 2010-2011<br>Rupees | 2009-2010<br>Rupees |
|--|---------------------|---------------------|
| Employers' Contribution to Provident Fund                  | 1,726,146           | 1,433,412           |
| Employers' Contribution to Employee's Pension Scheme 1995. | 615,758             | 607,374             |

-Included in Contribution to Provident and Other Funds (Refer Schedule "K")

**II) Defined Benefit Plans**

In accordance with Accounting Standard 15 (Revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan of gratuity based on the following assumptions:-

| Particulars   | As at<br>March 31, 2011 | As at<br>March 31, 2010 |
|---|-------------------------|-------------------------|
| Discount Rate (per annum)                                     | 8.25%                   | 8.00%                   |
| Rate of increase in Compensation levels                       | 7.00%                   | 7.00%                   |
| Rate of Return on Plan Assets                                 | 8.00%                   | 8.00%                   |
| Expected Average remaining working lives of employees (years) | 23                      | 21                      |

**A) Changes in the Present Value of Obligation**

| Particulars  | As at<br>March 31, 2011<br>Rupees | As at<br>March 31, 2010<br>Rupees |
|--|-----------------------------------|-----------------------------------|
| Present Value of Obligation at the beginning of the year | 4,582,222                         | 4,025,367                         |
| Interest Cost  | 444,643                           | 311,966                           |
| Current Service Cost                                     | 1,033,503                         | 968,769                           |
| Benefits Paid  | (115,385)                         | 801,265                           |
| Actuarial (Gain) / Loss on obligations                   | (188,294)                         | (1,525,145)                       |
| Present Value of Obligation as at the year end           | 5,756,689                         | 4,582,222                         |



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**B) Changes in the Fair Value of Plan Assets**

| Particulars   | As at          | As at          |
|---|----------------|----------------|
|   | March 31, 2011 | March 31, 2010 |
|   | Rupees         | Rupees         |
| Fair Value of Plan Assets at the beginning of the year- | 1,874,973      | 2,026,003      |
| Expected Return on Plan Assets                          | 261,703        | 157,015        |
| Actuarial Gain / (Loss) on Plan Assets                  | (32,628)       | (1,603,985)    |
| Contributions   | 1,454,007      | 494,675        |
| Benefits Paid   | (115,385)      | 801,265        |
| Fair Value of Plan Assets at the year end               | 3,442,670      | 1,874,973      |

**C) Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets**

| Particulars  | As at          | As at          |
|--|----------------|----------------|
|  | March 31, 2011 | March 31, 2010 |
|  | Rupees         | Rupees         |
| Present Value of Funded Obligation as at the year end        | 5,756,689      | 4,582,222      |
| Fair Value of Plan Assets as at the end                      | 3,442,670      | 1,874,973      |
| Funded Status  | 3,442,670      | 1,874,973      |
| Present Value of Unfunded Obligation as at the Year end      | 2,314,019      | 2,707,249      |
| Unrecognised Actuarial (Gain) / Loss                         |                | -              |
| Unfunded Net Asset / (Liability) Recognised in Balance Sheet | (2,314,019)    | (2,707,249)    |
| - Included in Provisions (Refer Schedule "H")                |                |                |

**D) Amount Recognised in the Balance Sheet**

| Particulars  | As at          | As at          |
|--|----------------|----------------|
|  | March 31, 2011 | March 31, 2010 |
|  | Rupees         | Rupees         |
| Present Value of Obligation as at the year end         | 5,756,689      | 4,582,222      |
| Fair Value of Plan Assets as at the year end           | 3,442,670      | 1,874,973      |
| Net Liability/ (Asset) Recognised in the Balance Sheet | 2,314,019      | 2,707,249      |
| -Included in Provisions (Refer Schedule "H")           |                |                |

**E) Expenses Recognised in the Profit and Loss Account**

| Particulars  | 2010-2011 | 2009-2010 |
|--|-----------|-----------|
|  | Rupees    | Rupees    |
| Current Service Cost                                     | 1,033,503 | 968,769   |
| Interest Cost  | 444,643   | 311,966   |
| Expected Return on Plan Assets                           | (261,703) | (157,015) |
| Net Actuarial (Gain) / Loss Recognised in the year       | (155,666) | 78,840    |
| Total Expenses Recognised in the Profit and Loss Account | 1,060,777 | 1,202,560 |

-Included in Gratuity (Refer Schedule "K")



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE: "M" (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**F) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at the end of the year**

The Plan Assets are administered by Life Insurance Corporation of India ("LIC") as per Investment Pattern stipulated for Pension and Group Schemes Fund by Insurance and Regulatory Development Authority regulations.

**G) Expected Contribution to be paid for next year.**

| Particulars                                    | 2010-2011<br>Rupees | 2009-2010<br>Rupees |
|--|---------------------|---------------------|
| Expected Contribution to be paid for next year | 1,459,732           | 899,266             |

**H) Details of Present Value of obligation, Plan Assets and Experience Adjustments**

| Particulars  | 2010-2011<br>Rupees | 2009-2010<br>Rupees | 2008-2009<br>Rupees | 2007-2008<br>Rupees |
|--|---------------------|---------------------|---------------------|---------------------|
| Present Value of obligation                            | 5,756,689           | 4,582,222           | 4,025,367           | 2,576,978           |
| Fair Value of Plan Assets                              | 3,442,670           | 1,874,973           | 2,026,003           | 869,511             |
| Surplus/ (Deficit)                                     | (2,314,019)         | (2,707,249)         | (1,999,364)         | (1,707,467)         |
| Experience adjustments on plan liabilities (Gain)/Loss | 35,392              | (1,353,460)         | 761,353             | 58,251              |
| Experience adjustments on plan Assets Gain /(Loss)     | (32,628)            | (1,603,985)         | 43,396              | 593                 |

**III) The liability for leave encashment as the year end is Rs. 3,119,255 (Previous Year Rs. 2,794,967).**

16. Previous year's figures have been rearranged and regrouped wherever necessary.

Signatures to Schedules "A" to "M" forming part of the Balance Sheet and Profit and Loss Account.

For Price Waterhouse  
Firm Registration No.: 301112E  
Chartered Accountants

U. A. Shah  
Uday Shah  
Partner  
Membership No.: 46061

Place: Mumbai  
Date: August 30, 2011

For and on behalf of the Board

  
Director [Ganesh Jain]

  
Director [Kumar Taurani]

Place: Mumbai  
Date: August 30, 2011

